EMALAHLENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended

30 June 2008

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 44, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

N J KWEPILE **Date**
Municipal Manager

EMALAHLENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

INDEX **Page**

Other information	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Change in Net Assets	4
Cash Flow Statement	5
Accounting Policies	6 - 21
Notes to the Financial Statements	22 – 37
Appendix A: Schedule of External Loans	38
Appendix B: Analysis of Property, Plant and Equipment	39
Appendix C: Segmental Analysis of Property, Plant and Equipment	40
Appendix D: Segmental Statement of Financial Performance	41
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	42
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	43
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	44
Appendix G: Implementation plan to comply with the requirements of General Recognised Accounting Practices	45 – 47

EMAHLALENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

OTHER INFORMATION

Nature of Business	Emahlaleni Municipality is a local municipality performing the functions as set out in the Constitution.(Act no 105 of 1996).
Country of Origin and Legal Form	South African local municipality as defined by the Municipal Structures Act (Act no 117 of 1998)
Directors	Mr N J Kwepile - Municipal Manager Ms M Ludick - Chief Financial Officer Mr A Stemela - Strategic Manager Ms N Lungwengwe - Corporate Services Manager
Principal Bankers	Standard Bank 92 Cathcard Road, Queenstown, 5320
Auditors	Office of the Auditor General Po Box 13252, Vincent, 5217
Attorneys	Smith & Tabata and Kirchmanns Inc
Registered Office	37 Indwe Road LADY FRERE 5410
Relevant Legislation	Municipal Finance Management Act (Act no 56 of 2003) Division of Revenue Act The Income Tax Act Value Added Tax Act Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Municipal Planning and Performance Management Regulations Water Services Act (Act no 108 of 1997) Housing Act (Act no 107 of 1997) Municipal Property Rates Act (Act no 6 of 2004) Electricity Act (Act no 41 of 1987) Skills Development Levies Act (Act no 9 of 1999) Employment Equity Act (Act no 55 of 1998) Unemployment Insurance Act (Act no 30 of 1966) Basic Conditions of Employment Act (Act no 75 of 1997) Supply Chain Management Regulations, 2005 Collective Agreements Infrastructure Grants SALBC Leave Regulations

EMALAHLENI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS AND LIABILITIES			
Net assets		82,368,296	85,239,796
Housing Development Fund	1	-	-
Capital replacement reserve	1	20,000,000	20,000,000
Government grant reserve	1	48,023,823	43,979,595
Accumulated Surplus/(Deficit)		14,344,474	21,260,200
Non-current liabilities		1,162,682	431,869
Long-term liabilities	2	344,104	431,869
Non-current provisions	3	818,578	-
Current liabilities		19,550,281	21,092,256
Consumer deposits	4	86,922	85,522
Provisions	5	271,002	-
Trade payables	6	1,984,580	1,914,745
Unspent conditional grants and receipts	7	16,167,187	15,188,243
Taxes	8	944,833	3,822,031
Short-term loans	9	-	-
Cash and cash equivalents	19	-	-
Current portion of long-term liabilities	2	95,757	81,714
Total Net Assets and Liabilities		103,081,260	106,763,920
ASSETS			
Non-current assets		50,274,108	82,197,770
Property, plant and equipment	10	50,274,108	45,911,751
Non-current assets held for sale	11	-	-
Investment property	12	-	-
Intangible Assets	13	-	-
Investments	14	-	36,264,465
Long-term receivables	15	-	21,553
Current assets		52,807,152	24,566,150
Inventory	16	82,180	82,180
Trade receivables from exchange transactions	17	6,245,972	10,557,201
Other receivables - Non exchange transactions	18	2,603,679	6,720,530
Unpaid conditional grants and receipts	7	-	4,260,436
Current portion of long-term debtors	15	35,257	72,106
Cash and cash equivalents	19	43,840,064	2,873,698
Total Assets		103,081,260	106,763,920

EMALAHLENI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2008

	Note	Actual 2008 R	2007 R
REVENUE			
Property rates	20	2,243,685	1,697,546
Service charges	21	9,557,263	8,652,716
Rental of facilities and equipment		419,656	472,918
Interest earned - external investments		4,279,125	2,036,464
Interest earned - outstanding debtors		4,344,573	2,688,942
Fines		57,450	41,800
Licences and permits		309,244	323
Income for agency services		136,797	102,630
Government grants and subsidies	22	41,860,027	54,322,602
Other income	23	247,903	354,634
Total Revenue		**63,455,722**	**70,370,575**
EXPENDITURE			
Employee related costs	24	15,803,259	12,336,219
Remuneration of Councillors	25	5,224,363	5,223,310
Bad debts		19,333,736	9,909,034
Depreciation	10	2,547,077	2,989,043
Repairs and maintenance		1,458,842	2,442,703
Interest paid	26	67,893	23,098
Bulk purchases	27	3,288,377	2,393,927
Operating Grant Expenditure		11,422,012	31,713,136
General expenses	28	7,181,663	5,007,500
Total Expenditure		**66,327,222**	72,037,971
SURPLUS/(DEFICIT) FOR THE YEAR		(2,871,499)	(1,667,396)
NET SURPLUS/(DEFICIT) FOR THE YEAR		**(2,871,499)**	(1,667,396)

Refer to Appendix E(1) for explanation of variances

EMALAHLENI MUNICIPALITY
STATEMENT OF CHANGES IN NETT ASSETS
FOR THE YEAR ENDED 30 JUNE 2008

	Pre-GAMAP Reserves and Funds R	Capital Replacement Reserve R	Government Grant Reserve R	Accumulated Surplus/ (Deficit) R	Total R
2007					
Balance at 30 June 2006	4,479,419			42,266,617	46,746,036
Correction of error	-	-	-	(6,412,636)	(6,412,636)
Change in accounting policy - See Note 29	(4,479,419)	20,000,000	92,098,772	(54,338,350)	53,281,002
Offsetting of Backlog Depreciation	-	-	(39,818,168)	39,818,168	-
Restated balance	**-**	**20,000,000**	**52,280,604**	**21,333,798**	**93,614,402**
Net surplus/(deficit) for the year	-	-	-	(1,667,396)	(1,667,396)
Transfer to/from CRR	-	413,477	-	(413,477)	-
Property, plant and equipment purchased	-	(413,477)	-	413,477	-
Offsetting of depreciation	-	-	(2,660,421)	2,660,421	-
Balance at 30 June 2007	**-**	**20,000,000**	**49,620,183**	**22,326,823**	**91,947,006**
2008					
Correction of error - Note 30	-	-	(8,971,453)	(1,052,763)	(10,024,216)
Change in accounting policy - See Note 30.4				(13,860)	
Correction of error - Note 30.3	-	-	3,330,866	-	3,330,866
Restated balance	**-**	**20,000,000**	**43,979,595**	**21,260,200**	**85,253,656**
Net surplus/(deficit) for the year	-	-	-	(2,871,499)	(2,871,499)
Capital grants used to purchase PPE	-	-	6,127,210	(6,127,210)	-
Offsetting of depreciation	-	-	(2,082,983)	2,082,983	-
Balance at 30 June 2008	**-**	**20,000,000**	**48,023,823**	**14,344,474**	**82,382,157**

EMALAHLENI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		68,583,621	65,486,385
Cash paid to suppliers and employees		-61,169,599	-69,390,415
Cash generated from/(utilised in) operations	33	7,414,022	(3,904,029)
Interest received		4,279,125	2,036,464
Interest paid		(67,893)	(23,098)
NET CASH FROM OPERATING ACTIVITIES		11,625,254	(1,890,664)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(6,909,434)	(413,477)
(Increase)/decrease in long-term receivables		58,403	91,185
(Increase)/decrease in non-current investments		36,264,465	(2,036,464)
NET CASH FROM INVESTING ACTIVITIES		29,413,434	(2,358,756)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised/(repaid)		(73,723)	(32,938)
Increase in consumer deposits		1,400	8,500
NET CASH FROM FINANCING ACTIVITIES		(72,323)	(24,438)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		**40,966,366**	**(4,273,857)**
Cash and cash equivalents at the beginning of the year		**2,873,698**	**7,147,555**
Cash and cash equivalents at the end of the year		**43,840,064**	**2,873,698**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		**40,966,366**	**4,273,857**

EMALAHLENI MUNICIPALITY

ACCOUNTING POLICY

PREPARED
31 August 2008

1. Summary of significant accounting policies for the year ended 30 June 2008

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies applied in the previous year was based on the standards laid down by the Institute of Municipal Financial Officers in the Code of Practice (1997) and Report of Published Annual Financial Statements (2nd edition), January 1996.

A reconciliation for the change in the accounting policies is listed in Note 29.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- *General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005; and*
- *General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005; and*

The Standard comprise of the following:

GRAP 1 - Presentation of Financial Statements
GRAP 2 - Cash Flow Statements
GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4 - The Effects of Changes in Foreign Exchange Rates
GAMAP 6 - Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7 - Accounting for Invesments in Associates
GAMAP 8 - Financial Reporting of Interests in Joint Ventures
GAMAP 9 – Revenue
GAMAP 12 – Inventories
GAMAP17 - Property, Plant and Equipment
GAMAP 19 - Provisions, Contingent Liabilities and Contingent Asset

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7.11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided elsewhere in the accounting policies or in the notes to the annual statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 3 (Accounting Policies, Changes of Accounting Estimates and Errors):

- *Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies. [Paragraphs 14, 19 and 30-31]*

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 142 (Non-current Assets held for Sale and Discontinued Operations):

- *Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]*

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 109 (Construction Contracts) in its entirety.

Comparative figures have been restated as far as is practical to take cognisance of changes in Accounting Standards.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GAMAP or GRAP.

1.2 Presentation currency

These annual financial statements are presented in South African Rand.

1.3 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.4 Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 115 (Segment Reporting) and AC 146 (Operating Segments).

1.5 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.6 Reserves

1.6.1 Capital Replacement Reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR). The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality. The investment may be combined with other investments and need not be invested separately.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.

1.6.2 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.7 Financial Instruments

Financial instruments carried in the Statement of Financial Position include cash and cash equivalents, investments, accounts receivable, accounts payable and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or have been transferred and the Municipality has

transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when it is extinguished, i.e. when the contractual right is discharged, cancelled or expires.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). Disclosure is therefore applied in terms of the former AC 125. For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133].

1.8 Leases

1.8.1 Lessee Accounting

Amounts held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

*The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 105 (Leases) with regards to the r*ecognition *of operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06 paragraphs 8 – 11)*

1.8.2 Lessor Accounting

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.9 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use of sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.10 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Position.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

1.11 Employee Benefits

a) Pension obligations

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised

actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

1.12 Financial Instruments

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or Financial *Liabilities*.

Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Unlisted Investments
- Investment in Fixed Deposits
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short term Investment Deposits

- Bank Balances and Cash
- Operating lease assets

The Financial Assets of the municipality are presently classified as follows into three categories:

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Held to maturity

Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Trade and other payables
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Consumer Deposits
- VAT

There are two main categories of Financial Liabilities, based on how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or
(ii) Not at fair value through profit or loss ("other financial liabilities").

Trade Payables

Trade payables and other receivables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method

Accrued Leave Pay

Liability for annual leave is recognised as it accrues to employees. Provision is based on the total accrued leave days at year-end.

Unspent Conditional Grants

Unspent conditional grants are reflected on the Statement of Financial Position as a creditor – Unspent conditional grants. They represent unspent government grants,

subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised. The investment can be part of the other investments of the municipality.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the Statement of Financial Performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unspent Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unspent Conditional Grants.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.*

Measurement

Financial Assets:

Held-to-maturity investments and loans and receivables are initially measured at fair value, and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

The requirement that financial assets and liabilities (previously instruments) should initially be measured at fair value has been exempted in terms of General notice 552 of 2007.

Impairment of Financial Assets:

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

1.13 Value Added Tax

The Council accounts for Value Added Tax on the cash basis.

1.14 Property Plant and Equipment

Land and buildings held for use in the production or supply of goods and services, or for administrative purposes, are stated in the Statement of Financial Position at their historical cost,less any subsequent accumulated depreciation, in the case of buildings, and subsequent accumulated impairment losses. Land is not depreciated.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use.

All other property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses. Historical cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and buildings under construction over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

	Years		Years
1 Infrastructure		**2 Other**	
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and equipment	10-15
Improvements	30	Other plant and equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance.

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment) for the municipality:

- *Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]*
- *Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]*
- *Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]*
- *Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]*

1.15 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost. Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every four years, valuations by external independent valuers. Gains or losses arising from

changes in the fair value of investment property are included in profit or loss for the period in which they arise.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 135 (Investment Properties) for the municipality:

- The entire standard to the extent that the property is accounted for in terms of GAMAP 17. The municipality applied this exemption in that it accounts for Investment Properties as part of Property, Plant and Equipment in terms of GAMAP 17.
- Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))

1.16 Intangible Assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 129 (Intangible Assets) for the municipality:

- *The entire standard except for the recognition, measurement and disclosure of computer software and website costs (AC 432) and all other costs were expensed. The municipality does not have any intangible assets for software and website costs.*

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 128 (Impairment of Assets) in its entirety.

1.17 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair

value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 128 (Impairment of Assets) in its entirety.

1.18 Inventories

Inventories consist of consumables and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 12 (Inventories):

- *The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.*
- *The entire standard to the extent that it relates to water stock that was not purchased by the municipality.*

1.19 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (based on payment percentage history) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and

the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

1.20 Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.21 Revenue Recognition

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are split between business and residential rates. The business tariff is based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly. Residential properties are levied monthly based on a fixed tariff.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when **all** the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will received based on past experience of amounts collected.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of GAMAP 9 (Revenue):

- *Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SIACA Circular 09/06 and paragraph 12]*

Conditional Grants and Receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9*

1.22 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.23 Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Rounding

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

1.27 Other Exemptions Taken not Elsewhere Disclosed in This Policy

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 142 (Non-current Assets held for Sale and Discontinued Operations):

- *Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]*

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 140 (Business Combinations) in its entirety.

		2008 R	2007 R
1	**NETT ASSET RESERVES**		
	RESERVES	68,023,823	63,979,595
	Capital Replacement Reserve	20,000,000	20,000,000
	Government Grant Reserve	48,023,823	43,979,595
	Sub-total	68,023,823	63,979,595
		-	-
	Total Nett Asset Reserve Assets and Liabilities	**68,023,823**	**63,979,595**
2	**LONG-TERM LIABILITIES**		
	Annuity Loans - At amortised cost	84,492	109,437
	Instalment Sale Agreement	355,369	404,146
	Restatement of cost Cost Note 30		418,000
	Redemption not previously recognised - Note 30		-13,854
	Sub-total	439,861	513,583
	Less : Current portion transferred to current liabilities	-95,757	-81,714
	Annuity Loans	-95,757	-81,714
	Total External Loans - At amortised cost	**344,104**	**431,869**

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the above-mentioned notice

• Leases (AC 105) Recognising operating lease payments / receipts on a straight line basis if the amount is recognised on the basis of the cash flows in the lease agreement. [SAICA Circular 12/06 paragraphs 8-11 and paragraphs 33, 34, 50, 51 of AC 105)]

3 NON-CURRENT PROVISIONS

3.1 **Non-current provision liabilities**

	2008 R	2007 R
Medical Aid Contributions	818,578	-
Long Service Award	-	-
Total	**818,578**	**-**

	2008 Medical Aid	2008 Long Service
Balance 1 July 2007	-	-
Contribution for the year	850,296	-
	850,296	-
Less: Transfer of current portion to current provisions - Note 5	-31,718	-
Balance 30 June 2008	**818,578**	**-**

The municipality has elected to recognise the full increase in this defined benefit liability immediately on first-time adoption in the 2007/2008 financial year as per IAS 19, Employee Benefits, paragraph 155 (a). Due to this allowed transitional arrangement, no comparative figures for these liabilities are therefore required and disclosed. The valuation was done by Arch Actuarial Consulting, Cape Town.

	2008 R	2007 R

Other defined benefit plan information

Provision for Post Employment Health Care Benefits

The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	37
Continuation members (e.g. retirees, widows)	2
Total	**39**

The liability in respect of past service has been estimated to be as follows:

	2008	2007
In-service members	426,753	-
Continuation members	423,543	-
Total	**850,296**	**-**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:
Bonitas;
LA Health
SAMWU Medical Aid

The Future-service Cost for the ensuing year is estimated to be R 52 835, whereas the Interest- Cost for the next year is estimated to be R90 536

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, *Employee Benefits*, paragraph 155 (a). Due to this allowed transitional arrangement, no comparative figures for these liabilities are therefore required and disclosed.

Present value of fund obligations	850,296	-
Fair value of plan assets	-	-
	850,296	**-**
Unrecognised past service cost -	-	-
Unrecognised actuarial gains / (losses) -	-	-
Present value of unfunded obligations	850,296	-
Net liability / (asset)	**850,296**	**-**

Key assumptions used:

Discount rate	0	
Health Care Cost Inflation Rate	0	
Net Effective Discount Rate	0	

Provision for Long Service Bonuses

The municipality does not pay any Long Service Bonuses.

		2008 R	2007 R
4	**CONSUMER DEPOSITS**		
	Electricity	81,122	85,522
	Water	5,800	
	Total Consumer Deposits	**86,922**	**85,522**

The fair value of consumer deposits approximate their carrying value.

		2008 R	2007 R
5	**PROVISIONS**		
	Current portion of Medical/ Retirement Fund	31,718	-
	Performance bonuses	239,284	-
	Total Provisions	**271,002**	**-**

The movement in current provisions are reconciled as follows: -

	Current portion Medical/ Retirement Fund	Performance Bonus	Total Provisions
30-Jun-08			
Balance at beginning of year	-	-	-
Transfer from non-current	31,718	-	31,718
Contributions to provision	-	239,284	239,284
Expenditure incurred	-	-	-
Balance at end of year	**31,718**	**239,284**	**271,002**

No performance bonuses were provided for in 2007 as an annual bonus was paid.

		2008 R	2007 R
6	**TRADE PAYABLES**		
	Sundry Payables		
	Trade payables	716,874	282,979
	Insurance Claims	2,132	
	Suspense	379,433	919,205
	Other	15,085	
	Deposits: Other	11,125	
		1,124,649	1,202,185
	Emlpoyee Benefit Liabilities		
	Staff Leave liability	859,930	712,560
	Total Trade Payables	**1,984,580**	**1,914,745**

Payables being paid within 30 days are being recognised net of discounts.

		2008 R	2007 R
7	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
7.1	***Conditional Grants from other spheres of Government***		
	Unspent Grants	16,167,187	15,188,243
	Less: Unpaid Grants	-	4,260,436
	Total Conditional Grants and Receipts	**16,167,187**	**10,173,593**

See appendix "F" for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised and approximate its carrying value. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised (Note 24). No grants were withheld.

8	**TAXES**		
	VAT payable	**944,833**	**3,822,031**
	VAT receivable - Note 18	-	-

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

9	**SHORT-TERM LOANS**		
	The Municipality has no short term loans		
11	**NON-CURRENT ASSETS HELD FOR SALE**		
	Non-current assets held for sale at beginning of year - at book value	-	
	Additions for the year	-	-
	Non-current assets sold/written off during the year		
	Non-current assets held for sale at end of year - at book value	-	-

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

• Non-current Assets Held for Sale and Discontinued Operations (AC142) Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]

12	**INVESTMENT PROPERTY**		
	Cost		-
	Less: Accumulated Depreciation		-
	Total Investment Properties	-	-

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

• Investment Property (AC 135) The entire standard to the extent that property is accounted for in terms of GAMAP 17.

• Investment Property (AC 135) Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised investment property in terms of this standard. [Paragraphs 79(e)(i) – (iii)]

13	**INTANGIBLE ASSETS**		
	Cost	-	-
	Balance 1 July 2006	-	
	Transferred from Property, Plant and Equipment - At cost - Note 10	-	-
	Aquisitions for the year - At cost		
	Less: Accumulated Amortisation	-	-
	Balance 1 July 2006	-	
	Transferred from Property, Plant and Equipment - At cost - Note 10		-
	Accumulated Amortisation for the year		
	Total Intangible Assets	-	-

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

• Intangible Assets (AC 129) The entire standards. and all other costs were expensed.

		2008 R	2007 R
14	**INVESTMENTS**		
	Financial Instruments		
	Sanlam - Operating Account Funds (Keyman Insurance)	-	439,411
	Other Fixed Deposits - at fair value	-	-
	Total Investments	**-**	**36,264,465**

The effective interest rate was 6.5% (2006: 6.3%).

An amount of R 20 000 000 (2006 = R 20 000 000) is ringfenced in the investments (Fixed deposits and call-accounts) for the Capital Replacement Reserve

An amount of R 16 167 187 (2007 = R 15 188 243) is ringfenced in the investments (Fixed deposits and call-accounts) for the unspent conditional grants

15	**LONG-TERM RECEIVABLES**		
	Staff Car Loans - At amortised cost	35,257	93,659
	Less : Current portion transferred to current receivables	35,257	72,106
	Total	**-**	**21,553**

CAR LOANS
Senior staff are entitled to car loans which attract interest at 8% per annum and which are repayable over a maximum period of 5 years. These loans are redeemed July 2008 or when the employee resigns.

The car loans are secured over the asset..

16	**INVENTORY**		
	Consumable Stores - Stationery and materials	82,180	82,180
	Total Inventory	**82,180**	**82,180**
17	**TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS**		
	Water	9,938,367	8,609,187
	Electricity	1,031,109	1,186,787
	Housing Rentals	149,567	124,091
	Refuse	11,909,723	9,694,709
	Sanitation	12,566,576	10,063,166
	Other Arrears	4,849,106	8,095,514
	Total : Trade receivables from exchange transactions	**40,444,449**	**37,773,453**
	Less : Provision for bad debts	-34,198,477	-27,216,252
	Total	**6,245,972**	**10,557,201**

The fair value of other receivables approximate their carrying value.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18	**OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**		
	Taxes - Rates	7,439,512	6,012,527
	Miscellaneous	841,259	708,003
	Taxes - VAT	-	-
	Other Debtors	**8,280,771**	**6,720,530**
	Less : Provision for bad debts	-5,677,092	**-**
	Total	**2,603,679**	**6,720,530**

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The fair value of other receivables approximate their carrying value.

		2008 R	2007 R
19	**CASH AND CASH EQUIVALENTS**		
	Assets		
	Call Investment Deposits	35,374,676	1,993,719
	Primary Bank Account	8,465,003	1,364,454
	Cash Floats	385	385
	Total Cash and Cash Equivalants - Assets	**43,840,064**	**3,358,558**
	Liabilities		
	Primary Bank Account (Overdraft)	-	-
	Total Cash and Cash Equivalants - Liabilities	**-**	**-**

The deposits are ringfenced in order to finance the Capital Replacement Reserve and Unspent conditional grants.
The effective interest rate was 8.5% (2007: 6.3%).

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Current Account (Primary Bank Account)		
Standard Bank - Lady Frere - Account Number 082665958 (Primary Account)	2,638,842	403,702
Standard Bank - Lady Frere - Account Number 082630631	5,726,256	200,901
First National Bank - Indwe - Account Number 62048986428	99,905	759,851
	8,465,003	1,364,454
Cash book balance at beginning of year	1,364,454	4,074,816
Cash book balance at end of year	8,465,003	1,364,454
Bank statement balance at beginning of year - (overdrawn)	2,015,406	4,105,290
Bank statement balance at end of year - (overdrawn)	5,989,833	2,015,406

20	**PROPERTY RATES**		
	Actual		
	Rateable Land and Buildings	2,243,685	1,697,546
	Total Assessment Rates	**2,243,685**	**1,697,546**
	Valuations	***July 2007***	***July 2006***
	Taxable properties	144,403,421	144,403,421
	Exempted properties	57,131,238	57,131,238
	Total Property Valuations	**201,534,659**	**201,534,659**

Valuations on land and buildings are performed every five years. The last valuation came into effect on 1 July 2003.The basic rate was 1,8c (2007 = 1,8 c) per Rand on land and buildings. There are 8202 (2007 = 7991) properties of which 7815 (2007 7785) are residential properties.

Rates are levied monthly and payable by the 15th of the following month. Interest is levied at the prime rate plus 1% on outstanding monthly instalments.

21	**SERVICE CHARGES**		
	Sale of electricity	2,499,827	2,514,389
	Sale of Water	2,244,680	1,796,479
	Waste Management charges	4,812,585	4,341,848
	Total Service Charges	**9,557,092**	**8,652,716**

The functions of Water and Sewerage were transferred in 2003 to the Chris Hani District Municipality by Provincial Proclamation. However, in terms of an agreement with the District Municipality, the municipality continues to deliver the services to the community. An exercise of discontinued operations had not been performed as at the reporting date.

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice

• Revenue (GAMAP 9) Initial measurement of fair value discounting all future receipts using an imputed rate of interest. [SIACA Circular 09/06 and paragraph 12]

		2008 R	2007 R
22	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Equitable Share	24,534,668	22,609,466
	513 Houses & Services	-	4,807,130
	Clean Up Campaign	-	5,985
	Municipal Support Program	-	575,958
	LGSETA	-	175,027
	Dordrecht Munnifarm	-	15,432
	Finance Management Grant 2005/06	-	254,375
	Municipal Systems Improvement Grant	539,177	109,277
	Council Chambers	67,247	-
	Local Economic Development	53,549	-
	Training Ward Committee	15,000	-
	Performance Management	47,389	-
	Property Valuations	170,625	-
	Transitional Grant	25,967	-
	Tshatsy irrigation	4,650	-
	Imbizo	-	1,565
	Disaster Fund	100,000	-
	CMRA - HIV/AIDS	-	38,553
	Municipal Support Program	889,819	89,370
	Municipal Infrastructure Grant	5,838,610	2,494,897
	Municipal Systems Improvement Grant	-	392,169
	Finance Management Grant	665,051	42,610
	Indwe 500 Units	-	5,294,484
	700 Erfs Lady Frere	-	2,712,712
	1000 Dordrecht Housing Project	-	6,179,909
	Housing	8,723,981	-
	Maqubela Pre-school	9,063	62,653
	Boqo Pre-school	-	2,900
	Zacoba Project - Indwe Unit	-	9,000
	MIG 06/07 - Mackay Neck	-	3,694,392
	MIG 06/07 - Mt Arthur	-	4,337,043
	Sinakho 189 Connections	-	81,215
	DDX Brickmaking Project	-	2,622
	Dipping Tanks	28,920	-
	Livestock Marketing	5,892	-
	Boswana Footbridge (Chris Hani District Municipality)	82,748	-
	Clean-up Campaign	57,670	-
	Zinqolweni Water Supply	-	8,422
	Waste Management Project	-	42,480
	334 Erven - Sinakho	-	191,820
	Waste Management Project - Chris Hani DM	-	91,135
		-	-
	Total Government Grant and Subsidies	**41,860,027**	**54,322,602**

The municipality complied with the conditions of all grants to the extent of revenue recognised. No grants were withheld due to non-compliance or any other reason.

22.1 Equitable Share

In terms of Section 214 of the Constitution, this grant is the equitable allocation of the national revenue raised to the local sphere of government.

23	**OTHER INCOME**		
	Other income represents sundry income such as certificates, cemetery charges and photocopies	247,903	354,634
		-	-
	Total Other Income	**247,903**	**354,634**
24	**EMPLOYEE RELATED COSTS**		
	Employee related costs - Salaries and Wages	9,642,534	8,061,650
	Employee related costs - Contributions for UIF, pensions and medical aids	1,970,581	2,003,133
	Travel, motor car, accommodation, subsistence and other allowances	963,561	937,402
	Housing benefits and allowances	7,720	17,440
	Overtime Payments	666,494	647,104
	Bonus	760,063	669,490
	Staff Leave	702,727	-
	Contribution to provision - Performance Bonus - Note 5	239,284	-
	Contribution to provision -Long Service Awards - Note 3	-	-
	Contribution to provision - Post Retirement Medical - Note 3	850,296	-
	Total Employee Related Costs	**15,803,259**	**12,336,219**

		2008 R	2007 R
	KEY MANAGEMENT PERSONNEL		
	Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.		
	Remuneration of the Municipal Manager		
	Annual Remuneration	701,583	520,000
	Total	**701,583**	**520,000**
	Remuneration of the Chief Finance Officer		
	Annual Remuneration (2007 = 9 months)	558,867	306,000
	Total	**558,867**	**306,000**
	Remuneration of Strategic Manager		
	Annual Remuneration (2007 = 9 months)	558,867	306,000
	Total	**558,867**	**306,000**
	Remuneration of Community Services Manager		
	Annual Remuneration (9 months)	331,500	442,000
	Total	**331,500**	**442,000**
	Remuneration of Infrastructure Manager		
	Annual Remuneration (9 months)	331,500	442,000
	Total	**331,500**	**442,000**
24	**EMPLOYEE RELATED COSTS (Continued)**		
	Remuneration of IPED Manager		
	Annual Remuneration (9 months)	331,500	442,000
	Total	**331,500**	**442,000**
	Remuneration of Corporate Services Manager		
	Annual Remuneration (10 months)	465,722	-
	Total	**465,722**	**-**
25	**REMUNERATION OF COUNCILLORS**		
	Executive Mayor	466,388	422,581
	Councillors' allowance	2,805,421	2,434,355
	Councillors' contributions	459,237	412,404
	Back Pay	187,481	724,689
	Allowances - Housing, Travelling and others	1,305,836	1,229,281
	Total Councillors' Remuneration	**5,224,363**	**5,223,310**
	In-kind Benefits		
	The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
26	**INTEREST PAID**		
	Long-term liabilities	67,893	23,098
	Overdraft Facilities		
	Total Interest on External Borrowings	**67,893**	**23,098**
27	**BULK PURCHASES**		
	Water	91,729	201,092
	Electricity	3,196,648	2,192,835
	Total Bulk Purchases	**3,288,377**	**2,393,927**

		2008 R	2007 R
28	**GENERAL EXPENSES**		
	General Expenses	**7,181,663**	**5,007,500**

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

29 CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GAMAP/GRAP

The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -

29.1 Statutory Funds		
Balance previously reported: -		
Revolving Fund		3,372,835
Cap Funds: Indwe TRC		553,055
Cap Funds: Wodehouse TRC		270,419
Total		**4,196,308**
Implementation of GAMAP		
Transferred to the Capital Replacement Reserve		20,000,000
Transferred to the Housing Development Fund		-
Transferred to the Capitalisation Reserve		-
Transfer to Accumulated Surplus/deficit - See Note 29.6 below		-15,803,692
Total		**4,196,308**
29.2 Loans Redeemed and Other Capital Receipts		
Balance previously reported		**66,010,121**
Implementation of GAMAP		
Redemption and depreciation periods differ		
Internal Loans per Appendix B - IMFO		-
Internal Loans per asset register - Book value		-
Transfer to Accumulated Surplus/deficit - See Note 29.6 below		-
Outstanding Internal Loans Transfer to Capitalisation Reserve		-
Transfer from Property Plant and Equipment - Note 29.4		36,394,265
Transferred to Government Grant Reserve		-92,098,772
Transferred to Donations and Public Contribution Reserve		-
Transfer to Accumulated Surplus/deficit - See Note 29.6 below		-10,305,614
Total		**-**
29.3 Provisions and Reserves		
Balance previously reported		
Working Capital		177,350
Electricity Maintenance		10,307
Capital Reserve		95,454
Total		**283,111**
Implementation of GAMAP		
Transfer to Accumulated Surplus/deficit - See Note 29.6 below		**283,111**

CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3 - IMPLEMENTATION OF GAMAP/GRAP (Continued)

29.4 Property, plant and equipment - GAMAP 17		
Balance previously reported		**66,280,426**
Implementation of GAMAP		
Property, Plant and Equipment previously not recognised Leases - Note		418,000
Government Grant Reserve - Note 29.2		36,394,265
Total		**103,092,691**
29.5 Accumulated Depreciation - GAMAP 17		
Balance previously reported		**-**
Implementation of GAMAP		
Backlog depreciation: Land and buildings		3,210,553
Backlog depreciation: Infrastructure		39,717,477
Backlog depreciation: Community		1,308,748
Backlog depreciation: Other		4,886,605
Property, Plant and Equipment previously not recognised - Instalment sale agreement - Note 29.6	27,714	
Property, Plant and Equipment previously not recognised debited to Government Grant Reserve - Note 29.2		-39,818,168
Total (debited to Government Grant Reserve) (see SOCNA)		
Transfer to Accumulated Surplus/deficit - See Note 29.6 below	**27,714**	**9,305,216**

	2008 R	2007 R
29.6 Accumulated Surplus/(Deficit) - 2006		
Implementation of GAMAP		
Excessive provisions and reserves no longer permitted - Note 29.3		283,111
Property , Plant and Equipment (Backlog depreciation) transferred to Government Grant Reserve - Note 29.5		-39,818,168
Offsetting of backlog depreciation - Note 29.5		39,818,168
Transferred from statutory funds - Note 29.1		-15,803,692
Transferred from Loans Redeemed and Other Capital Receipts - Note 29.2		10,305,614
Backlog depreciation - Note 29.5		-9,305,216
Total	**-**	**-14,520,182**
29.7 Accumulated Surplus/(Deficit) - 2007		
Implementation of GAMAP		
Redemption on Instalment Sale previuosly expensed - Note	13,854	-
Backlog depreciation on Property, Plant and Equipment previously not recognised - Instalment sale agreement - Note	-27,714	-
Net decrease in Accumulated Surplus	**-13,860**	**-**

30 CORRECTION OF ERROR IN TERMS OF GRAP 3

Prior year adjustments

30.1 Housing Controls Accounts		
Balance previously reported		5,648,713
Adjustment debited to Accumulated Surplus due to a 5 year reconciliation - Note 30.4		-5,648,713
Total	**-**	**-**
30.2 VAT		
Adjustments in Vat receivable - Prior Year Adjustment		763,923
Total (debited to Accumulated Surplus/(Deficit) - Note 30.4	**-**	**763,923**
30.3 Property, Plant and Equipment		
Property, Plant and Equipment identified for the first time during asset count - loose items - Note 30.4	186,311	
Water and Sewerage functions assets transferred to the Chris Hani District Municipality - At cost	-31,656,670	
Water and Sewerage functions assets transferred to the Chris Hani District Municipality - Accumulated depreciation	22,685,217	
Access roads funded from Government Grants in prior year (IMFO) not recognised - Note 10		3,330,866
Total (debited to Accumulated Surplus/(Deficit) - Notes 30.4 and 10	-8,785,142	3,330,866
30.4 Accumulated Surplus/(Deficit)		
Adjustment in housing controls accounts debited to Accumulated Surplus - Note 30.3	186,311	5,648,713
Property, Plant and Equipment identified for the first time during asset count - loose items - Note		
Water and Sewerage functions assets transferred to the Chris Hani District Municipality - Note 30.3	-8,971,453	
Water and Sewerage functions assets transferred to the Chris Hani District Municipality - Recover from GGR - Note 30.5	8,971,453	
Adjustment to Unspent conditional grants balances previously reported - Note 30.7	-754,215	
Adjustment to Cash and Cah Equivalents balances previously reported - Note 30.6	-484,860	
Adjustments in Vat receivable debited to Accumulated Surplus - Note 30.2	-	763,923
Total	**-1,052,763**	**6,412,636**
30.5 Government Grant Reserve		
Access roads funded from Government Grants not previously recognised - Note 10	-	3,330,866
Water and Sewerage functions assets funded from Government Grants transferred to the Chris Hani District Municipality	-8,971,453	
Total debited to Government Grant Reserve	**-8,971,453**	**3,330,866**
30.6 Cash and Cash Equivalents		
Adjustment to balances previously incorrectly reported - Note 30.4	-484,860	
Total credited to Cash and Cash Equivalents	**-484,860**	
30.7 Unspent conditional grants and receipts		
Adjustment to balances previously incorrectly reported - Maqubela Pre-school - Note 30.4	754,215	
Total credited to Unspent conditional grants and receipts	**754,215**	

***30.8* Post Retirement Benefits and long Service Awards implemented the first time and valued at 30 June 2008 in accordance with IAS 19**

The municipality has elected to recognise the full increase in this defined benefit liability immediately on first-time adoption in the 2006/2007 financial year as per IAS 19, Employee Benefits, paragraph 155 (a). Due to this allowed transitional arrangement, no comparative figures for these liabilities are therefore required and disclosed.

	-	-
	-	**-**

31 CASH GENERATED BY OPERATIONS

	2008 R	2007 R
Surplus for the year	-2,871,499	-1,667,396
Adjustment for:-		
Depreciation	2,547,077	2,989,043
Gain on disposal of property, plant and equipment	-	-
Cash and cash equivalents adjustment prior year.	-	-484,860
Contribution to provisions - non-current	850,296	-
Contribution to provisions – current	239,284	-
Contribution to bad debts provision		-
Investment income	-4,279,125	-2,036,464
Interest paid	67,893	23,098
Operating surplus before working capital changes:	**-3,446,075**	**-1,176,578**
(Increase)/Decrease in inventories	-	-82,180
(Increase)/decrease in trade receivables from exchange transactions	4,311,229	1,511,637
(Increase)/decrease in other receivables from non-exchange transactions	4,116,851	-1,355,190
(Decrease)/increase in unspent conditional grants and receipts	978,944	-2,437,133
Decrease/(increase) in unpaid conditional grants and receipts	4,260,436	957,344
Increase in creditors	69,835	1,153,963
(Increase)/decrease in VAT	-2,877,198	-2,475,892
Cash generated by/(utilised in) operations	**7,414,022**	**-3,904,029**

32 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following :

Bank balances and cash	43,840,064	2,873,698
Bank overdraft	-	-
Total cash and cash equivalents	**43,840,064**	**2,873,698**

33 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities - Note 2	439,861	109,437
Used to finance property, plant and equipment – at cost	439,861	109,437
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	**-**	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

34 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Unauthorised expenditure

Reconciliation of unauthorised expenditure	
Opening balance	
Unauthorised expenditure current year	6,333,736
Approved by Council or condoned	-6,333,736
Transfer to receivables for recovery	
Unauthorised expenditure awaiting authorisation	-

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget (See Appendix E(1) and E(2))	*None*

35 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

35.1 Contributions to organized local government

Opening balance	-	-
Council subscriptions	61,976	
Amount paid - current year	-61,976	
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

35.2 Audit fees

Opening balance	-	-
Current year audit fee	9,369	444,477
Amount paid - current year	-9,369	-444,477
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	-

35.3 VAT

Vat inputs receivables and Vat outputs payables are shown in Note 8
All VAT returns have been submitted by the due date throughout the year.

	2008 R	2007 R

35.4 **Councillor's arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

30 June 2008	**Total**	**Outstanding Up to 60 days**	**Outstanding 90 days and over**
Councillor MM Godla	508	25	484
Councillor A Yawa	70	14	56
Councillor S Limba	12,766	248	12,517
Total Councillor Arrear Consumer Accounts	**13,344**	**287**	**13,057**

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)

35.5 **Non-Compliance with Chapter 11 of the Municipal Finance Management Act**

The Municipality complied with the provisions of the Municipal Finance Management Act.

36 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
- Approved and contracted for	715,430	-
Infrastructure	715,430	-
Other	-	-
- Approved but not yet contracted for	-	75,930,596
Infrastructure		75,930,596
Community		
Other	-	-
Total	**715,430**	**75,930,596**
This expenditure will be financed from:		
- External Loans	-	-
- Capital Replacement Reserve	-	3,412,750
- Government Grants	715,430	72,517,846
- Own resources	-	-
- District Council Grants	-	-
	715,430	**75,930,596**

37 CONTINGENT LIABILITIES

Cession payments to two companies where a contractor defaulted with payments in terms of a surety signed.	293,660
Action by three former managers for backdated salary increases.	1,224,000
Claims by a farmer for unlawful removal of sand from his farm.	100,000
	1,617,660

The municipality disputes all these cases.

		2008 R	2007 R
38	**CONTINGENT ASSETS**		
	Claims against a defaulted contractor - See also Note 37	429,916	-
		429,916	**-**

39 FINANCIAL RISK MANAGEMENT

Financial Risk Management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign exchange currency risk

The municipality does not engage in foreign currency transactions.

(b) Interest rate Risk

The Municipality is mainly exposed to interest rate risk due to the movements in long-term and short term interest rates.
This risk is managed on an ongoing basis.

(c) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

For banks and financial institutions, only independently rated parties with a minimum rating of 'B+' are accepted. Grants are receivable from higher order levels of government. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. This increases the credit risk in respect of consumer debtors. The risk of non- payment is managed on an ongoing basis and where practical, services are terminated and procedures applied to recover outstanding amounts owing and an appropriate level of impairment provision for default is maintained.

(d) Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

40 EVENTS AFTER THE REPORTING DATE

There was no significant events after the reporting date.

41 Related Parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

41.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 15 to the Annual Financial Statements.

41.2 Compensation of key management personnel

The compensation of key management personnel is set out in note to the Annual Financial Statements.

		2008	2007
		R	R

42 Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2)b of the notice

• Financial Instruments: Recognition and Measurement (AC133) Initially measuring financial assets and liabilities at fair value. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]
• Financial Instruments: Disclosure (AC144) Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.

• Segment Reporting (AC115) Entire Standard

• Operating Segments (AC146) Entire Standard

• Construction Contracts (AC109) Entire Standard

• Business Combinations (AC140) Entire Standard

• Accounting for Government Grants and Disclosure of Government Assistance (AC134) Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.

43 Process to comply fully with the implementation of General Recognised Accounting Practices (GRAP).

The municipality adopted a phased-in approach in order to comply fully with the implememtation of GRAP. The municipality is classified by the National Treasury as a low capacity municipality and must comply with GRAP by 30 June 2010. The muncipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliant financial reporting. The implementation plan for full compliance with the requirements of GRAP is listed in Appendix "G".

10 PROPERTY, PLANT AND EQUIPMENT

30 June 2008

Reconciliation of Carrying Value	**Land and Buildings**	**Infrastructure**	**Community**	**Other**	**Total**
	R	**R**	**R**	**R**	**R**
Carrying values at 1 July 2007	**17,799,578**	**21,125,532**	**3,555,469**	**3,431,173**	**45,911,751**
Cost	21,751,798	71,176,142	5,057,400	8,851,694	106,837,034
Correction of error - Note 30.3	-	(31,656,670)	-	186,311	(31,470,359)
Revaluation	-	-	-	-	-
Accumulated depreciation	(3,952,220)	(18,393,940)	(1,501,931)	(5,606,832)	(29,454,924)
- Cost	(3,952,220)	(41,079,157)	(1,501,931)	(5,606,832)	(52,140,141)
Correction of error - Note 30.3	-	22,685,217	-	-	22,685,217
- Revaluation	-	-	-	-	-
Acquisitions	218,405	5,948,889	-	742,140	6,909,434
Donated vehicles and equipment - At cost				-	-
Transfers	-	-	-	-	-
At Cost	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Depreciation	(746,542)	(773,436)	(193,713)	(833,386)	(2,547,077)
- based on cost	(746,542)	(773,436)	(193,713)	(833,386)	(2,547,077)
- Backlog on previously not recorded					-
Carrying value of disposals	-	-	-	-	-
Cost/revaluation	-		-	-	-
Accumulated depreciation	-		-	-	-
Impairment losses	-	-	-	-	-
Correction of Error	-	-	-	-	-
At cost	-	-	-		-
Accumulated depreciation	-	-	-		-
	17,271,440	**26,300,985**	**3,361,756**	**3,339,927**	**50,274,108**
Carrying values at 30 June 2008	**17,271,440**	**26,300,985**	**3,361,756**	**3,339,927**	**50,274,108**
Cost	21,970,203	45,468,361	5,057,400	9,780,145	82,276,109
Revaluation	-	-	-	-	-
Accumulated depreciation	(4,698,762)	(19,167,376)	(1,695,644)	(6,440,219)	(32,002,001)
- Cost	(4,698,762)	(19,167,376)	(1,695,644)	(6,440,219)	(32,002,001)
- Revaluation	-	-	-	-	-

10 PROPERTY, PLANT AND EQUIPMENT (continued)

30 June 2007

Reconciliation of Carrying Value	**Land and Buildings**	**Infrastructure**	**Community**	**Other**	**Total**
	R	**R**	**R**	**R**	**R**
Carrying values at 1 July 2006	**18,541,245**	**28,127,799**	**3,748,652**	**3,523,897**	**53,941,593**
Cost	18,829,988	34,372,821	5,057,400	8,020,217	66,280,426
Change in accounting policy - Note 33	2,921,810	33,472,455	-	418,000	36,812,265
Revaluation	-	-	-	-	-
Accumulated depreciation	(3,210,553)	(39,717,477)	(1,308,748)	(4,914,319)	(49,151,097)
- Cost	-	-	-	(27,714)	(27,714)
Change in accounting policy - Note 33	(3,210,553)	(39,717,477)	(1,308,748)	(4,886,605)	(49,123,384)
- Revaluation	-	-	-	-	-
Acquisitions	-	-	-	413,477	413,477
Correction of error - At cost - Note 30.3		3,330,866			3,330,866
Donated vehicles and equipment - At cost				-	-
Transfers	-	-	-	-	-
At Cost	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-
Depreciation	(741,667)	(1,361,680)	(193,183)	(692,513)	(2,989,043)
- based on cost	(741,667)	(1,361,680)	(193,183)	(692,513)	(2,989,043)
- Backlog on previously not recorded					-
Carrying value of disposals	-	-	-	-	-
Cost/revaluation	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Correction of Error	-	-	-	-	-
At cost	-	-	-		-
Accumulated depreciation	-	-	-		-
	17,799,578	**30,096,985**	**3,555,469**	**3,217,148**	**54,696,893**
Carrying values at 30 June 2007	**17,799,578**	**30,096,985**	**3,555,469**	**3,244,862**	**54,696,893**
Cost	21,751,798	71,176,142	5,057,400	8,851,694	106,837,034
Revaluation	-	-	-	-	-
Accumulated depreciation	(3,952,220)	(41,079,157)	(1,501,931)	(5,606,832)	(52,140,141)
- Cost	(3,952,220)	(41,079,157)	(1,501,931)	(5,606,832)	(52,140,141)
- Revaluation	-	-	-	-	-

The Municipality adjusted purchase dates of certain properties, with opening balances and adjustments during the year. These include the transfer of the water and sewerage infrastructure to the Chris Hani District Municipality.

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure, land and buildings and other community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on some of these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

• Property, Plant and Equipment (GAMAP 17) Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]

• Property, Plant and Equipment (GAMAP 17) Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]

• Property, Plant and Equipment (GAMAP 17) Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]

• Property, Plant and Equipment (GAMAP 17) Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]

• Impairments of Assets (AC 128) Entire Standard

• Investment Property (AC 135) The entire standard to the extent that property is accounted for in terms of GAMAP 17.

• Investment Property (AC 135) Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised investment property in terms of this standard. [Paragraphs 79(e)(i) – (iii)]

• Intangible Assets (AC 129) The entire standards.

• Non-current Assets Held for Sale and Discontinued Operations (AC142) Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]

APPENDIX A

EMALAHLENI MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

EXTERNAL LOANS	Rate	Redeemable	Balance at 30/06/07	Received during the period	Redeemed written off during the period	Balance at 30/06/08
			R	R	R	R
LONG-TERM LOANS			-	-	-	-
Total long-term loans			**-**	**-**	**-**	**-**
ANNUITY LOAN						
Development Bank of Southern Africa	17.60%	2010	109,437	0	24,945	84,492
Total annuity loans			**109,437**	**0**	**24,945**	**84,492**
Instalment Sale - Standard Bank			**404,146**		**48,777**	**355,369**
TOTAL EXTERNAL LOANS			**513,583**	**0**	**73,723**	**439,861**

APPENDIX B

EMALAHLENI MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings	R	R	R	R	R	R	R	R	R	R
Land	1,000,000	-	-	-	1,000,000	-	-	-	-	1,000,000
Buildings	20,751,798	218,405	-	-	20,970,203	3,952,220	746,542	-	4,698,762	16,271,440
	21,751,798	**218,405**	**-**	**-**	**21,970,203**	**3,952,220**	**746,542**	**-**	**4,698,762**	**17,271,440**
Infrastructure										
Main: Roads	30,677,998	7,990	5,940,899	-	36,626,887	10,149,676	724,335	-	10,874,010	25,752,876
Main: Waste Management	6,367,568	-	-	6,367,568	-	3,513,621	-	3,513,621	-	-
Main: Electricity	7,864,474	-	-	-	7,864,474	7,864,474	-	-	7,864,474	-
Main: Water	25,289,102	-	-	25,289,102	-	19,171,596	-	19,171,596	-	-
Taxi Ranks	475,000	-	-	-	475,000	80,833	15,877	-	96,710	378,290
Airfield	10,000	-	-	-	10,000	3,668	334	-	4,002	5,998
Reservoirs/Tanks/Pumps	492,000	-	-	-	492,000	295,290	32,890	-	328,180	163,820
	71,176,142	**7,990**	**5,940,899**	**31,656,670**	**45,468,361**	**41,079,157**	**773,436**	**22,685,217**	**19,167,376**	**26,300,985**
Community Assets										
Recreation Grounds	2,041,000	-	-	-	2,041,000	593,505	100,525	-	694,030	1,346,970
Civil Buildings	1,620,000	-	-	-	1,620,000	503,425	50,137	-	553,562	1,066,438
Libraries	65,400	-	-	-	65,400	65,400	-	-	65,400	-
Parks & Gardens	10,000	-	-	-	10,000	10,000	-	-	10,000	-
Preschools	735,000	-	-	-	735,000	220,567	24,567	-	245,134	489,866
Cemetery	36,000	-	-	-	36,000	35,701	100	-	35,801	199
Arts & Craft	550,000	-	-	-	550,000	73,333	18,384	-	91,717	458,283
	5,057,400	**-**	**-**	**-**	**5,057,400**	**1,501,931**	**193,713**	**-**	**1,695,644**	**3,361,756**
Other Assets										
Motor Vehicles	2,762,830	522,523	-	-	3,285,353	2,308,353	297,924	-	2,606,277	679,076
Plant & Equipment	3,061,500	-	-	-	3,061,500	1,632,925	210,314	-	1,843,238	1,218,262
Office Equipment	492,600	-	-	-	492,600	102,314	83,829	-	186,143	306,457
Furniture & Fittings	-	136,715	-	-	136,715	-	2,720	-	2,720	133,994
Loose Equipment	1,869,854	186,311	-	-	2,056,165	1,308,898	206,129	-	1,515,027	541,139
Computer Equipment	264,910	82,902	-	-	347,812	253,685	12,416	-	266,101	81,712
Specialised Vehicles	400,000	-	-	-	400,000	658	20,055	-	20,712	379,288
Non-Capital	-	-	-	-		-	-	-	-	-
	8,851,694	**928,451**	**-**	**-**	**9,780,145**	**5,606,832**	**833,386**	**-**	**6,440,219**	**3,339,927**
Total	**106,837,034**	**1,154,846**	**5,940,899**	**31,656,670**	**82,276,109**	**52,140,141**	**2,547,077**	**22,685,217**	**32,002,001**	**50,274,108**

APPENDIX C

EMALAHLENI MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Executive & Council	-	310,304		-	310,304	-	32,646	-	32,646	277,658
Finance & Admin	29,528,082	709,004		-	30,237,086	9,237,616	1,398,051	-	10,635,667	19,601,419
Planning & Development	-	-		-	-	-	-	-	-	-
Health	-	-		-	-	-	-	-	-	-
Community & Social Services	3,707,810	-		-	3,707,810	1,245,205	219,988	-	1,465,193	2,242,617
Housing	-	-		-	-	-	-	-	-	-
Public Safety	-	-		-	-	-	-	-	-	-
Sport & Recreation	2,025,000	127,548		-	2,152,548	577,505	102,901	-	680,406	1,472,142
Environmental Protection	-	-		-	-	-	-	-	-	-
Waste Management	6,859,568	-		6,367,568	492,000	3,808,911	32,890	3,513,621	328,180	163,820
Road Transport	31,152,998	7,990	5,940,899	-	37,101,887	10,230,509	740,212	-	10,970,721	26,131,166
Water	25,289,102	-		25,289,102	-	19,171,596	-	19,171,596	-	-
Electricity	8,264,474	-		-	8,264,474	7,865,132	20,055	-	7,885,186	379,288
Other	10,000	-		-	10,000	3,668	334	-	4,002	5,998
Non-Capital	-	-		-	-	-	-	-	-	-
TOTAL	**106,837,034**	**1,154,846**	**5,940,899**	**31,656,670**	**82,276,109**	**52,140,141**	**2,547,077**	**22,685,217**	**32,002,001**	**50,274,108**

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APPENDIX D

EMALAHLENI MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2008

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
31,713,136	36,935,369	(5,222,233)	Executive & Council	1,567,121	8,781,817	(7,214,697)
26,625,128	18,703,799	7,921,328	Finance & Admin	33,146,099	32,510,932	635,168
-	884,574	(884,574)	Planning & Development	64,285	1,040,192	(975,907)
-	-	-	Health	-	-	-
78,872	1,745,646	(1,666,774)	Community & Social Services	133,339	1,459,230	(1,325,891)
-	489,329	(489,329)	Housing	8,723,981	9,378,543	(654,562)
144,882	14,139	130,744	Public Safety	-	-	-
9,224	343,611	(334,387)	Sport & Recreation	76,320	315,001	(238,681)
-	-	-	Environmental Protection	-	-	-
6,255,849	3,477,771	2,778,078	Waste Management	7,483,956	3,959,824	3,524,131
230,493	3,721,741	(3,491,248)	Road Transport	6,620,578	3,808,354	2,812,224
2,402,909	2,366,223	36,687	Water	2,973,762	1,244,757	1,729,005
2,910,082	3,355,770	(445,688)	Electricity	2,666,282	3,828,572	(1,162,290)
-	-	-	Other	-	-	-
70,370,575	72,037,971	(1,667,396)	Sub Total	63,455,723	66,327,222	(2,871,498)
-	-	-	Less Inter-Dep Charges	-	-	-
70,370,575	**72,037,971**	**(1,667,396)**	**Total**	**63,455,723**	**66,327,222**	**(2,871,498)**
		-	Add: Share of Associate			-
		(1,667,396)				**(2,871,498)**

APPENDIX E(1)

EMALAHLENI MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008

REVENUE	2008 Actual (R)	2008 Budget (R)	2008 Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Property rates	2,243,685	1,385,456	858,229	61.95%	
Property rates - penalties imposed and collection charges	-	-	-	0.00%	
Service charges	9,557,263	5,148,456	4,408,807	85.63%	Increase in number of debtors
Rental of facilities and equipment	419,656	524,000	(104,344)	-19.91%	
Interest earned - external investments	4,279,125	2,106,480	2,172,645	103.14%	Increase in interest rates
Interest earned - outstanding debtors	4,344,573	3,243,560	1,101,013	33.94%	Increase in outstanding debtors
Fines	57,450	43,178	14,272	33.05%	
Licences and permits	309,244	14,148	295,096	2085.78%	Unable to determine number of transactions
Income for agency services	136,797	104,800	31,997	30.53%	
Government grants and subsidies	41,860,027	60,692,136	(18,832,109)	-31.03%	
Other income	247,903	106,521	141,382	132.73%	
Donated/Contributed Proerty, Plant and Equipment	-	-			
Change in Fair Value	-	-	-	0.00%	
Gains on disposal of property, plant and equipment	-	-	-	0.00%	
Total Revenue	***63,455,722***	***73,368,735***	***(9,913,013)***	**-13.51%**	
EXPENDITURE					
Executive & Council	8,781,817	9,395,719	(613,902)	-6.53%	
Finance & Admin	32,510,932	28,099,754	4,411,178	15.70%	Provision for bad debt R 6 333 736 more than budget
Planning & Development	1,040,192	5,211,669	(4,171,477)	-80.04%	Lack of capacity, manager contract ended
Health		-	-	0.00%	
Community & Social Services	1,459,230	3,406,661	(1,947,431)	-57.17%	Lack of capacity, manager contract ended
Housing	9,378,543	10,787,775	(1,409,232)	-13.00%	
Public Safety		-	-	0.00%	
Sport & Recreation	315,001	634,468	(319,467)	-50.35%	Lack of capacity, manager contract ended
Environmental Protection		-	-	0.00%	
Waste Management	3,959,824	7,351,468	(3,391,644)	-46.14%	Lack of capacity, manager contract ended
Road Transport	3,808,354	6,367,041	(2,558,688)	-40.19%	Lack of capacity, manager contract ended
Water	1,244,757	2,295,855	(1,051,098)	-45.78%	Lack of capacity, manager contract ended
Electricity	3,828,572	4,190,385	(361,813)	-8.63%	
Other		-	-	0.00%	
Less : Interdepartmental Charges		-	-	0.00%	
Total Expenditure	***66,327,222***	***67,557,294***	***(1,230,073)***	**-1.82%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	***(2,871,499)***	***5,811,441***	***(8,682,940)***	**-149.41%**	

APPENDIX E(2)

EMALAHLENI MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2008
Acquisition of Property, Plant and Equipment

	2008 Actual	2008 Under Construction	2008 Total Additions	2008 Budget	2008 Variance	2008 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	R	R	%	
Executive & Council	**310,304**	**-**	310,304	3,455,000	(3,144,696)	-91.02%	Not sufficient capacity to implement
Finance & Admin	**709,004**	**-**	709,004	1,838,225	(1,129,221)	-61.43%	Not sufficient capacity to implement
Planning & Development	**-**	**-**	-	6,943,776	(6,943,776)	-100.00%	Not sufficient capacity to implement
Health	**-**	**-**	-	-	-	0.00%	
Community & Social Services	**-**	**-**	-	1,597,027	(1,597,027)	-100.00%	Not sufficient capacity to implement
Housing	**-**	**-**	-	-	-	0.00%	
Public Safety	**-**	**-**	-	-	-	0.00%	
Sport & Recreation	**127,548**	**-**	127,548	714,736	(587,188)	-82.15%	Not sufficient capacity to implement
Environmental Protection	**-**	**-**	-	-	-	0.00%	
Waste Management	**-**	**-**	-	-	-	0.00%	
Road Transport	**7,990**	**5,940,899**	5,948,889	9,008,023	(3,059,134)	-33.96%	Not sufficient capacity to implement
Water	**-**	**-**	-	44,211	(44,211)	-100.00%	Not sufficient capacity to implement
Electricity	**-**	**-**	-	800,000	(800,000)	-100.00%	Not sufficient capacity to implement
Other	**-**	**-**	-	-	-	0.00%	
Total	**1,154,846**	**5,940,899**	**7,095,745**	**24,400,998**	**(17,305,253)**	-70.92%	

EMALAHLENI MUNICIPALITY

APPENDIX F

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2008

Grant Description	Balance at 30 June 2007	Contributions during year	Transfers	Operating expenditure during year Transferred to Revenue	Capital expenditure during year Transferred to Revenue	Balance at 30 June 2008
	R	R		R	R	R
Equitable Share	-	24,534,668		(24,534,668)		-
Town Establishment	7,010	-		-		7,010
Upgrading Services	35,281	-	(8,422)			26,859
Upgrading Streets	14,596			-		14,596
Town Scheme Planning	62,760	-		-		62,760
Structure Plan	51,364	-		-		51,364
Sewerage Ponds	882,335	-		-		882,335
Pilot Housing	121,462	-		(121,462)		-
LED	300,985	-	(81,817)			219,168
Layout Plan	39,392	-	-	-		39,392
CMIP	398,511	-	(249,607)			148,904
I D P	172,849	-		-		172,849
IDP Emalahleni	155,286	-		-		155,286
Property Valuation Fund	871,982	-		(170,625)		701,357
Clean Up Campaign	80,051	-		(57,670)		22,381
Care Givers Emalahleni	518,925	-		-		518,925
HIV/AIDS Chris Hani DM	10,204	-		-		10,204
MSP 05/06	221,077	-		(221,077)		-
LGSETA	16,403	-		-		16,403
NER Funds	110,437	-		-		110,437
Training Ward Committees DPLG	111,393	-		-		111,393
Dordrecht Munnifarm	-	-		-		-
Transitional Grant	26,240	-		(10,382)	(15,585)	273
TRC Funds Ukhahlamba Dis	1,345,107	-		-		1,345,107
MSIG 05/06	375,877			(293,700)	(82,177)	(0)
Imbizo	121,566	-		-		121,566
Emalahleni Projects	996,858	-		-		996,858
Council Chaimbers (REDZ)	1,035,000	-			(67,247)	967,753
Livestock Marketing Cost	469,338			(5,892)		463,446
LED Cost	1,493,718	-	(26,000)	(53,549)		1,414,169
Disaster Fund	100,000	-		(100,000)		-
Elitheni Coal Mine	1,000,000	-		-		1,000,000
Thatshu Irrigation	300,000	-		(4,650)		295,350
Khuthalani Agric Cooperative	100,000			-		100,000
MSP 06/07	210,630	-		(210,630)		0
MSIG 06/07	261,831			(86,124)	(21,029)	154,678
FMG 06/07	457,390			(455,729)		1,661
Indwe 500 Units	1,161,336	19,825		(1,141,511)		39,650
700 Erfs Lady Frere	293,991	2,216		(260,490)		35,717
1000 Dordrecht Housing Project	331,734	17,355	(191,820)	(136,481)		20,788
513 Houses & Services	3,103	78		-		3,181
New Office Building	47,324	-		-		47,324
FMG 0708	-	250,000		(209,321)		40,679
MSIG 0708	-	734,000		(118,537)		615,463
MSP 0708	-	760,000		(458,111)		301,889
MIG 0708		11,637,631	(3,330,866)	-	(5,921,359)	2,385,406
Housing 0708	-	7,961,615		(7,064,037)		897,579
HIV/AIDS 0708 CHDM	-	130,000		-		130,000
MIG 0809	-	1,008,000		-		1,008,000
Unspent conditional grants and receipts - End of year	**14,313,346**	**47,055,389**	**(3,888,532)**	**(35,714,645)**	**(6,107,398)**	**15,658,161**
Maqubela Pre-school	(207,215)	754,215		(37,983)		509,017
Zacoba Project - Indwe Unit	(26,000)		26,000			-
MIG 06/07 - Mackay Neck	(1,719,529)		1,719,529			-
MIG 06/07 - Mt Arthur	(1,611,337)		1,611,337			-
Sinakho 189 Connections	(81,215)		81,215			-
DDX Brickmaking Project	(81,817)		81,817			-
Lady Frere Waterborne Sewerage System	(89,822)		89,822			-
Zinqolweni Water Supply	(8,422)		8,422			-
Waste Management Project	(42,480)	42,480				-
Maqhashu Water Supply	(78,569)		78,569			-
334 Erven - Sinakho	(191,820)		191,820			-
Waste Management Project - Chris Hani DM	(122,210)	122,210				-
Unpaid conditional grants and receipts - End of year	(4,260,436)	**918,904**	**3,888,532**	**(37,983)**	**-**	**509,017**
Unspent conditional grants and receipts - beginning of year	14,313,346	47,055,389	(3,888,532)	(35,714,645)	(6,107,398)	15,658,160
Unpaid conditional grants and receipts - beginning of year	(4,260,436)	918,904	3,888,532	(37,983)	-	509,017
	10,052,910	**47,974,293**	**-**	**(35,752,628)**	**(6,107,398)**	**16,167,178**

Appendix G: Implementation plan to comply with the requirements of General Recognised Accounting Practices

Name of municipality:	Emalahleni Municipality	**Demarcation Code:**	EC 136
Name of preparer:	Marlene Ludick	**Date completed:**	30-Jun-08
Contact Details:	027 – 878 0020	**Financial period:**	30-Jun
Capacity category:	**Low Capacity**	**(delete whichever not applicable)**	

Financial reporting standard	**Milestones to be achieved to comply with the standard** *[include the key challenges that have to be overcome]*	**Person responsible**	**Estimate date of compliance** *[must begin after exemption period and take the transitional provisions of the standards into account]*
Presentation of financial statements (GRAP 1)	• Preparation of GRAP compliant financial statements. • Challenges as listed below.	CFO	*AFS 30 June 2008*
Cash flow statements (GRAP 2)	• Obtain a thorough understanding of the format of the cash flow statement. • No challenges to overcome.	CFO	*AFS 30 June 2008*
Accounting policies, changes in accounting estimates and errors (GRAP 3)	• A draft accounting policy has been prepared • The municipality has appointed external specialists to assist with the implementation of GRAP and to capacitate the preparers of the financial statements with the disclosure requirements of GRAP 3. • The municipality will have to investigate what the potential impact of Standards approved but not yet effective may be on the annual financial statements.	CFO	AFS 30 June 2008 (excluding par 14,19 and 39-31) Par 14, 19 and 30-31 will be implemented on 1 July 2009.
The Effects of Changes in Foreign Exchange Rates (GRAP 4)	• The municipality is not involved in any foreign currency transactions.	CFO	AFS 30 June 2008
Consolidated and Separate Financial Statements (GRAP 6)	• The municipality has established through a review that it does not have any entities in which it has a controlling interest.	CFO	Completed
Investments in Associates (GRAP 7)	• The municipality has established through a review that it does not have any entities over which it has significant influence.	CFO	Completed
Interests in Joint Ventures (GRAP 8)	• The municipality has established through a review that it is not involved in any public private partnerships which may constitute a joint venture.	CFO	30-Nov-07
Revenue from Exchange Transactions (GRAP 9)	• The municipality will review all revenue sources in order to establish compliance with this Standard. • External specialists have been appointed to assist with the review. • The potential impact of paragraph 12 and SAICA Circular 09/06 will have to be assessed.	CFO	30 June 2008 (except paragraph 12 of GAMAP 9 and SAICA Circular 09/06.) Rest of the Standard, 30 June 2009
Construction Contracts (GRAP 11)	• The municipality will review the Standard in order to understand what constitutes a construction contract as defined by the Standard.	CFO	30-Jun-09

Inventories (GRAP 12)	• The municipality will review the Standard in order to understand its requirements, especially regarding water which is being performed on behalf of the District Municipality. • The municipality's costing systems will be reviewed in order to establish if its current reporting capability is sufficient to comply with the requirements of the Standard. • Any adjustments required to the costing system will made.	CFO	30 June 2008 for Consumable Stores. 30 June 2009 for all other Inventory.
Financial reporting standard	**Milestones to be achieved to comply with the standard** *[include the key challenges that have to be overcome]*	**Person responsible**	**Estimate date of compliance** *[must begin after exemption period and take the transitional provisions of the standards into account]*
Leases (GRAP 13)	• The municipality is currently in the process of reviewing all its operating lease agreements in order to establish if some of these should be classified as finance leases. • The municipality must ensure that all assets financed through finance leases are included in the fixed asset register. • The municipality must review all its lease agreements in order to establish if any of these payments should be "smoothed" as per the Standard.	CFO	30-Jun-09 30-Jun-09 30-Jun-09
Events after the Reporting Date (GRAP 14)	• The preparers of the financial statements will have discussions with senior officials and its lawyers in order to determine if any events after reporting date has occurred.	CFO	30-Jun-08
Investment Property (GRAP 16)	• The municipality will review the Standard in order to fully understand what constitutes an investment property. • All investment property must be identified. • All investment property must be transferred from PPE to investment property. • A new accounting policy regarding investment property should be prepared and adopted. • The fixed asset register must be amended in order to process investment property transactions. • The full impact of the change in accounting policy must be disclosed in the financial statements.	CFO	30-Jun-09
Property, Plant and Equipment (GRAP 17)	• The municipality has performed a physical verification of its PPE and prepared a fixed asset register. • The fixed asset register should be reviewed in order to ensure that the funding sources are correct. • An accounting policy regarding the PPE should be prepared and approved. • Infrastructure assets should be identified and valued by engineers. • All land and buildings should be revalued once the new valuation roll is finalized. • Review of useful life of item of PPE recognised in the annual financial statements. • Review of the depreciation method applied to PPE recognised in the annual financial statements. • Impairment of non-cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed. • Impairment of cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed.	CFO	*Completed* *30-Jun-08* 30-Jun-08 30-Jun-09 30-Jun-09 30-Jun-09 30-Jun-09 30-Jun-09 30-Jun-09

Financial reporting standard	Milestones to be achieved to comply with the standard *[include the key challenges that have to be overcome]*	Person responsible	Estimate date of compliance *[must begin after exemption period and take the transitional provisions of the standards into account]*
Provisions, Contingent Liabilities and Contingent Assets (GRAP 19)	• The municipality has appointed external specialists to assist with the identification of potential provisions, liabilities and contingent assets.	CFO	30-Jun-09
Non-current Assets held for Sale and Discontinued Operations (GRAP 100)	• The municipality requires capacity building on this Standard in order to fully understand its requirements.	CFO	30-Jun-09
Agriculture (GRAP 101)	• The municipality has established through a review that it does not have any transactions or perform any activities which can be classified as agriculture.	CFO	Completed
Intangible assets (GRAP 102)	• The municipality has appointed external specialists to assist with the identification of potential intangible assets. • The asset register needs to be adjusted in order capture all intangible assets. • An accounting policy needs to be drafted for the treatment of intangible assets.	CFO	30 June 2009 for all intangible assets.
Financial Instruments: Disclosures (IFRS 7/AC 144)	• The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09
Income Taxes (IAS 12/AC 102)	• Not applicable to this municipality.		
Employee benefits (IAS 19/AC 116)	• The municipality is in the process of preparing the request for quotation for the appointment of actuaries to value all employee benefits. • Once the value of the potential liability is calculated, the municipality must determine a phasing-in policy for the provision of the total liability.	CFO	30-Jun-08
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20/AC 134)	• The municipality needs training and clarification on the impact and requirements of this Standard, especially with due regards to GAMAP 9.	CFO	30-Jun-09
Financial Instruments: Presentation (IAS 32/AC 125)	• The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09
Impairment of Cash-generating Assets (IAS 36/AC 128)	• The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09
Financial reporting standard	**Milestones to be achieved to comply with the standard** *[include the key challenges that have to be overcome]*	**Person responsible**	**Estimate date of compliance** *[must begin after exemption period and take the transitional provisions of the standards into account]*
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	• The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09
Impairment of non-cash-generating Assets (IPSAS 21)	• The municipality needs training and clarification on the impact and requirements of this Standard.	CFO	30-Jun-09